



**Written Testimony of Representative Garey Bies
Assembly Committee on Energy and Utilities
Assembly Bill 515 – The Propane Safety Act**

Good morning Chairperson Montgomery and committee members, I appreciate the opportunity to submit my testimony in support of Assembly Bill 515, The Propane Safety Act. I intend to keep my comments brief this morning and allow representatives from the industry to speak to the more technical components of the proposal.

First, a little background as to how I became involved with the legislation this session.

In the summer of 2006, in the quiet, tourist community of Ellison Bay in Door County, Wisconsin, there occurred a tragic accident that claimed the lives of two visitors, orphaning two children, injuring many more people, and destroying an historical landmark. The incident, an explosion that was likely the result of a propane gas leak, did not need to happen. That incident brought to the attention of many people around Wisconsin the need for a closer look at the regulation of under ground propane facilities. This bill, The Propane Safety Act, is the result of this need and is critical for Wisconsin's safety.

This legislation, Assembly Bill 515 and its companion in the Senate, is not a knee-jerk reaction to the tragedy in Ellison Bay or other, recent events. The Wisconsin Propane Gas Association has been working on crafting the legislation since the previous session and we now have a proposal that is ready for the legislature. Propane is used in Wisconsin to heat nearly 250,000 homes and over 330 million gallons of propane was sold in the state last year. We need to make sure that the industry in our state is as safe as possible.

There are several main components of the bill. First, this legislation establishes a licensing requirement for propane retailers and makes licensing contingent upon meeting a state minimum financial responsibility requirement. This financial requirement provision is an effective means of ensuring that propane suppliers in Wisconsin are committed to the industry, its safety and its future.

Second, the legislation also enhances the communication requirements between propane suppliers and their customers. This provision is to help make sure that customers and their suppliers stay on the same page as to the condition and location of gas facilities including underground tanks on the customer's property.

Third, the legislation makes changes to the Digger's Hotline service to reflect the importance of underground propane tanks and lines. The Digger's Hotline provision requires that the Hotline indicate to callers that Digger's does not locate private, underground propane lines but that

First for Wisconsin!

callers should contact the propane gas company to locate the underground lines prior to beginning work. Digger's Hotline will also include information about propane in its published materials.

The Senate did pass a substitute amendment to the Senate version of the bill. All parties are in support of the amendment which I am having drafted to AB 515. Briefly, the substitute amendment establishes the license fee of \$20 for businesses that refill propane cylinders. Licensing will not be required for propane cylinder exchange operations. The amendment allows for the use of power operated excavating equipment to penetrate pavement when trying to reach underground transmission facilities. Also, the amendment directs the Department of Commerce to establish by rule that propane suppliers must inform customers of their obligations under Digger's Hotline. Lastly the amendment makes changes to the penalties and some technical changes.

The Propane Safety Act is the result of a great deal of work between several legislative offices and the propane gas industry. It is important legislation for Wisconsin and I hope that the Legislature can move quickly on it.

Thank you again for the opportunity to appear before you today in support of Assembly Bill 515 and I would be happy to answer any questions that you may have.



PROPANE
EXCEPTIONAL ENERGY®

Wisconsin Propane Gas Association

Promoting the Safe and Increased Use of Propane

Testimony of:

**Randall R Knapp
Executive Director
Wisconsin Propane Gas Association**

before the

Wisconsin Assembly Committee of Energy & Utilities

RE: 2007 Assembly Bill 515

Chairman Montgomery, Vice Chairman Petersen and Distinguished Members of the Committee:

My name is Randy Knapp and I appreciate this opportunity to share my perspective on the importance of passing Assembly Bill 515. The Senate Substitute Amendment to 2007 Senate Bill is SB 273.

Since August 1995, I have been employed in the propane industry which for the past 5 ½ years I have been the Executive Director of the Wisconsin Propane Gas Association also known as the WPGA.

The Wisconsin Propane Gas Association has 125 independent propane retailers (some with multiple locations), 60 multi-state propane retailers, and 73 associate members. The WPGA is a trade and membership service organization providing services that advocate for propane retailers and suppliers throughout the State of Wisconsin. The Associations' primary purpose is to promote awareness and safety of propane as a reliable source of energy. The WPGA assists with education relating to the propane industry and upgrading the level of professionalism propane consumers can expect.

Historical Background

In July of 2003 the Wisconsin Propane Gas Association Board of Director's unanimously voted to implement an insurance task force to research what other states were doing regarding insurance requirements for propane retailers.

"Together, as a Team, We can make a Difference"

During the summer and early fall of 2003 there were a number of meetings and conference calls with the WPGA Insurance Task Force gathering data and information from numerous propane associations throughout the United States.

The WPGA Insurance Task Force asked for assistance from the National Propane Gas Association (NPGA) in Washington DC. NPGA had completed a White Paper on **The Propane Insurance Market**. Do to the length of the White Paper; I have made copies of the document for the committee to review at a later time.

Priority Issues Identified by the Wisconsin Propane Gas Association:

- 1. Propane retailers should have Mandatory Liability Insurance (financial responsibility) to be in the propane industry.**
- 2. To assure that all propane retailers comply with the financial responsibility requirement, they would have to be licensed by the State.**
- 3. Mandatory training and testing utilizing CETP (certified employee training program) for basic knowledge, propane delivery skills, propane plant operations & maintenance, etc. Require continuing education to achieve higher standards on a yearly basis.**
- 4. Consumer must inform propane retailer of any propane system changes within a specific time period to verify that a leak test had been performed to insure that the integrity of the system has not been compromised.**
- 5. Consumer warning materials should be distributed to the retail customer on a yearly basis by the propane retailer.**
- 6. Communication requirements between propane retailers and consumers as well as implementation of Digger's Hotline duty to inform callers of the importance to have private gas lines marked on their property before and digging/excavating takes place.**

It is my belief and the Wisconsin Propane Gas Association's belief that Assembly Bill 515 will raise the bar for propane safety within the State of Wisconsin. **Please do the right thing!**

Thank you...



National PROPANE GAS Association

1150 17th St NW • Suite 310 • Washington, DC 20036 • 202.466.7200 • Fax 202.466.7205

The Propane Insurance Market: A White Paper

By

The Insurance Task Force
National Propane Gas Association
March 2003

Introduction

Beginning in late 2001 and increasing in early 2002, NPGA staff and volunteer leaders heard from members about mounting insurance problems in the propane gas industry. Marketers were encountering significantly higher premiums upon renewal of their liability insurance policies, and there were scattered reports of insurance unavailability. These reports came at the same time that NPGA began to learn of some companies who were getting out of the propane insurance business altogether.

It was convenient and easy to place the blame on the tragic events of September 11, 2001; however, as became readily apparent, the problems ran deeper and broader than might be attributed to those cataclysmic events. Therefore, in mid-2002, newly-elected NPGA Chairman Gene Bissell resolved to improve the industry's understanding of these problems and to see what, if any, role NPGA might play to assist its members.

An Insurance Task Force was appointed by Chairman Bissell chaired by NPGA Vice Chairman Paul Lindsey, All Star Gas, Lebanon, Missouri. Members of the task force include:

Billy Cox, O'Nealgas, Inc., Choudrant, LA
Nutie Dowdle, Dowdle Butane, Columbus, MS
Mike Franger, Franger Gas Co., Inc., Elkhart, IN
Ken Heinz, Ferrellgas, Inc., Liberty, MO
Jim Hurley, Eastern Propane Gas, Rochester, NH
Jay Johnston, Jay Johnston & Assoc., Hopkins, MN
Harry Lyons, LP Gas Insurance Specialists, Lawrenceville, GA
Keith McMahan, Tri-Gas & Oil, Federalsburg, MD
Jim Pearce, Pearce Bottle Gas Inc., Greenville, IN
Doug Schwartzkopf, West Bend Elevator Co., West Bend, IA
Bobby Smith, Smith Bros. Gas Co., Magnolia, NC

The charge that Chairman Bissell gave the task force was three-fold:

- Let members know the reasons behind the increases in insurance rates, and the withdrawal of several insurance companies from propane underwriting.
- Recommend to members actions they can take to minimize the impact of this change in the insurance market on their business.
- Recommend to the Executive Committee any actions NPGA, or a coalition of members, could take to lower the cost and improve the availability of insurance.

Historical Perspective

Prior to getting into the problems of today, a brief historical perspective might be in order. Insurance problems—both generally, as an industry, and specifically as they affect the propane industry—are not new. Indeed, in the earliest days of NPGA's predecessor organization, there have been several committees or task forces which concerned themselves with the industry's insurance problems.

In the mid-1940's, an Insurance Committee was led by NPGA founder H. Emerson Thomas. In September 1945, Mr. Thomas reported to the Board of Directors on behalf of his task force:

"It appears that the largest casualty company that has specialized in LP-Gas products liability and property damage insurance has had an unsatisfactory loss ratio over the past 5 years. As a result of this experience this company is unwilling to write new business freely. The vast majority of casualty insurance companies have investigated the LP-Gas industry and have concluded that they will not write the class of business desired by the industry generally. It is felt that the Association has done a vast amount of educational work intended to make this industry safer. The need for continued safe practice training is evident by the insurance situation.

"The Insurance Committee discussed the possibility and desirability of organizing a mutual casualty insurance company to write insurance exclusively for dealers and distributors of LP-Gas."

According to subsequent reports from this committee to the Board, they never received sufficient support to recommend organizing a mutual casualty insurance company. It is interesting, however, to review the charge of this task force and its similarity to today's issues, as reported in the Minutes of the Board of Directors in late 1946:

1. To make liability insurance coverage available to all operators in the LP-Gas industry.
2. To work toward a lowering of insurance rates.
3. To cooperate with the Technical & Standards Committee [sic] and the Safety Committee to accomplish a continually better accident record and thus result in lower insurance rates.
4. To develop accident data to tie into the basis of premiums on liability insurance.

5. To move toward standardization of insurance coverage by all underwriters of such insurance and to obtain the utmost coverage for the industry.
6. To encourage insurers to apply more rigid inspections on tank trucks and bulk installations before the acceptance of insurance risks with the object of bringing up the standards of installation and differentiate between the good and bad operator.
7. To disseminate insurance information through the medium of Association publications and the Association Manual with the object of advising members of the Association as to the various types of insurance available and other pertinent insurance information.

Another association investigation into the state of industry insurance coverage took place in the mid-1970s. In 1976, an Ad Hoc Liability Insurance Committee was created to address a situation described as follows:

"There is a rapidly decreasing number of insurance carriers interested in writing liability insurance coverage for this industry. Industries are rated much as occupations are rated for accident insurance. Most carriers have experienced loss in the past two years on all liability insurance, and some have made management decisions to 'bail out' of the higher risk industries. This explains carriers' failure to renew policies, even where no loss experience has occurred.

"The availability and cost of this coverage tends to be cyclical in nature. The current crisis is aggravated by the fact that in addition to the claim and settlement losses, insurance companies have experienced a financial slump in investments, mortgages, etc."

By late 1977, this committee had advanced to a position where they were about to spend \$10,000 for a feasibility study of an industry captive insurance company; however, prior to doing so, many of the propane marketers who had previously expressed interest in joining such a captive were able to obtain insurance coverage elsewhere and thus lost interest in the association endeavor. In the end, the crisis resolved itself and the association took no further action other than to serve as an information clearinghouse.

A similar scenario recurred in the mid to late 1980's when NPGA once again formed an insurance task force and once again considered formation of a captive or risk retention group (RRG). Once again, the association decided not to proceed, but an independent group of propane marketers invested in the formation of such an RRG which operated for about five years.

Overview of Insurance Industry Practices

A brief overview of insurance industry practices is needed in order to better understand the cyclical nature of insurance underwriting and the situation that has developed within the last two years.

First and foremost, it is important to understand that the insurance industry is part of the financial services sector of the economy. Millions of dollars flow through insurance companies in the form of premiums which are then invested in a variety of financial

instruments: real estate, bonds, stocks, etc. One of the best descriptions of this activity was provided by Gary Hahn, CPCU, ARM, ALCM, in an article printed in the April 2001 issue of Butane-Propane News, "The State of the Insurance Market and Propane Retailers". Mr. Hahn is Vice President, Risk Management Services, for National Farmers Union Property and Casualty Companies, Aurora, CO.

"As with other financial institutions, capital flows in and out of the insurance marketplace over time. When capital is readily available, rates and premiums tend to decrease, lower deductibles are available, and companies are more liberal in the types of risk they will assume. The insurance market is thus considered to be 'soft'. When capital moves to other financial sectors due to diminishing returns on insurance company equity or because other investments offer better returns on capital, the opposite occurs and the insurance market becomes tighter, or 'hardens'."

Equally important, is that propane distribution is a high-hazard industry. As such, propane marketers are an easy target for plaintiffs' attorneys whenever there is an accident or incident. The liability nature of propane is low frequency/high severity: there may not be many accidents, but when they occur the consequences are usually quite severe. This much is obvious: if there is an incident involving the storage or handling of propane that results in property damage or personal injury, any party involved in that incident, even tangentially, can count on being named in a subsequent lawsuit. This problem appears to be getting worse as the public seems to cry out for someone, other than the aggrieved party, to pay regardless of cause or responsibility.

What is not so obvious, however, are other factors that flow from the high-hazard nature of propane distribution. Propane underwriting involves a certain degree of predictability. Underwriters usually can predict the degree of exposure they might have when they offer to insure a propane marketer based on their past experiences with marketers in similar situations, the inspection of a company's operations, the training of its personnel, and prior case law or jury decisions. But when unpredictability is introduced by outrageous jury awards and new and novel plaintiff theories of liability, insurance carriers begin to look anew at their premiums and even whether they wish to continue to underwrite these companies.

Another less obvious factor is the impact of new insurance carriers suddenly offering to underwrite propane marketer operations. When soft market conditions prevail, new insurers may be lured into this industry segment by the prospects of high premium dollars that can be profitably invested. Not being familiar with this market, they may price their product below market in order to gain market share and are pleased the first year or two as there are few claims; however, the propane insurance market is noted for a "long tail": i.e., that claims frequently are not filed until three years after the incident. If the insurer begins to encounter substantial claims in the third year and beyond for which they may have thin capitalization based on low premium collections and/or poor or declining investments, this frequently will cause them to quickly exit this market.

Finally, A Look at the Current Insurance Problems

As stated earlier, while the events of September 11 were certainly devastating, as will be demonstrated shortly, it is facile to blame all of the current insurance problems on this one

tragic day. The insurance industry was heading into a "hard" market cycle well before September 11. For 10 to 12 years, both insurers and propane marketers experienced good times. Marketers became accustomed to obtaining low premium coverages and being offered extra inducements to switch carriers as many new insurance companies were attracted to this market. At the same time, insurance carriers could offer these low premiums due to the attractive returns they made on their investments during the bull market years of the 1990's. Investment income was much more important than underwriting profits.

Beginning in 2000, interest rates decreased dramatically along with investment return in the stock market, while the flow of loss activity continued. Underwriters quickly realized that as investment income being earned by insurance companies disappeared, and that premiums collected were insufficient to cover losses, they would have to adjust their pricing upward, restrict coverage terms and cancel those accounts that were unprofitable. Many insurers were looking to 2001 as the beginning of the return to normalcy.

The tragedy of September 11 was a loss no one could conceive. Cost estimates continue to rise well into the billions. According to Arthur J. Gallagher Company, this tragedy will be:

- The largest Workers Compensation loss in history.
- The most expensive aviation disaster in history.
- The largest property loss in history.
- The most expensive business interruption loss in history.
- The largest life insurance catastrophe loss in history.
- And potentially one of the largest liability claims in history.

One of the major impacts of this and other recent large losses (e.g., Enron's failure, Tropical Storm Allison, current and future asbestos claims, etc.) is a tightening of the reinsurance market. As late as September 2002, Kurt E. Karl, Chief Economist in Swiss Reinsurance's Economic Research and Consulting, North America, declared that the hardening insurance market "will continue until balance sheets are fixed." **He expects the hardening market to last until at least 2005!**

Finally, an underlying concern of all insurers who have been interviewed by members of the Insurance Task Force is adherence to industry safe practices. In a soft market, insurers will underwrite just about anyone without too much inquiry into their operational and hiring practices. As the market has hardened, however, marketer safe practices, employee training, and consumer safety education (i.e., so-called "duty to warn") have taken on critical significance. Indeed, NPGA has witnessed a dramatic increase in interest in the GAS Check® program, as well as much stricter compliance with the reporting obligations of the program.

As one long-time industry safety expert observed, marketers can reduce the potential for accidents and problems, and consequently keep their insurance costs in check, by observing the following four principles.

- Provide "duty to warn" communications to customers.

- Provide thorough and well-documented employee training.
- Be sure that consumer propane systems are up to code.
- Observe proper out of gas procedures as required by NFPA 54.

What Can Marketers Do

Given the current situation, what else can marketers do to try to get the most insurance protection at the least cost? The task force has spent considerable time studying this issue and offers the following recommendations.

- Belong to your national and state associations.
- Use in-house training programs.
- Be sure to comply with all regulations.
- Conduct background checks on employees and random drug tests.
- Participate in GAS Check®.
- Establish a new customer policy covering duty to warn.
- Have an out of gas policy that meets the requirements of NFPA 54.
- Make it customary practice to document all interactions with customers.
- Have your own in-house procedures manual and insure that employees comply with it.
- Comply with insurance company requirements.
- Become politically active and support passage of tort reform laws.
- Be willing to serve on a jury and allow your employees to serve.
- Start early in the year on insurance renewals and have all information and data available.
- Print duty to warn information on the back of sales tickets and other similar pieces of consumer literature.
- Finally, and perhaps most importantly, maintain a company attitude of zero tolerance and safe operations.

Members of the task force sought information on which companies are currently underwriting propane marketers. The information is somewhat sketchy and obviously varies from state to state; however, task force members were advised that the following companies were found to currently offer propane marketer liability coverage in one or more parts of the country.

IMPORTANT NOTE: If a company is not listed in a state that does NOT mean that they may not offer insurance in that market. It only means that NPGA task force members have not been apprised of that fact.

California	Ranger
Colorado	Ranger, St. Paul
Connecticut	First American
Illinois	National Farmers Union
Indiana	Fairfield, Federated, Greatwest Casualty, Nationwide Agribusiness, PT Risk, Ranger, RLI, Utica Natl.,

Iowa	Coop Mutual, EMC, Farmland, Ranger (maybe also Federated and St. Paul)
Kansas	Ranger
Louisiana	Federated, AIG, St. Paul
Maryland	Empire, Ranger, St. Paul
Massachusetts	AIG, Crum & Foster, St. Paul, Utica
Michigan	Ranger
Minnesota	Federated, RLI, Ranger, St. Paul
Mississippi	Ranger, RLI
New Hampshire	AIG, One Beacon, St. Paul
New York	Federated
Ohio	Federated
Oklahoma	RLI
South Carolina	Federated
Tennessee	Federated
Texas	Federated, Lloyd's
Virginia	Federated

One task force member said that he understood the following companies were underwriting propane marketers, but he did not have specific information as to which states they were active: ACE, Discover Re, Ohio Casualty, Lancer Insurance, and Lexington.

Conclusion

This White Paper has attempted to provide for marketers a better understanding of insurance industry practices and the state of the current insurance market. The task force has also offered some tips and ideas on steps marketers can take that might help improve their insurability and obtain lower premiums. There seems to be little doubt that the current hard market cycle in which the insurance industry is operating today will continue for at least another two to three years.

The NPGA Insurance Task Force, at the direction of the NPGA Executive Committee, will continue to monitor the marketplace and will investigate the desirability and possibility of other alternatives including the formation of a captive insurance group. We hasten to add that no decisions in this regard have been made and no preference is being expressed; however, in order to fulfill the charge given the task force by Chairman Bissell, the task force will explore "what actions NPGA, or a coalition of members, could take to lower the cost and improve the availability of insurance."



Wisconsin Federation of Cooperatives

131 West Wilson Street, Suite 400 • Madison, WI 53703-3269
Phone 608.258.4400 • Fax 608.258.4407 • www.wfcmac.coop

December 18, 2007

To: Members, Assembly Committee on Energy and Utilities

From: Tim Clay, Director of Environmental & Regulatory Services
(608) 258-4384

Re: Support for AB 515

I'm Tim Clay, Director of Environmental & Regulatory Services for the Wisconsin Federation of Cooperatives (WFC). On behalf of WFC, I am pleased to indicate our strong support for AB 515 and its Senate companion, SB 273 as amended and voted out of the Senate Committee on Commerce, Utilities, and Rail in late November. I thank each of you for the opportunity to provide comments on this very important bill.

WFC represents more than 600 cooperative businesses approximately 50 of whom are retail suppliers of propane gas for home heating, commercial, and recreational use. WFC firmly believes the elements of the legislation will strengthen consumer and public safety through increased communications and enhanced checks and balances.

The propane industry has worked closely with the co-authors to assure that several safety concerns and consumer protection elements are addressed within the legislation. Paramount to the legislation is three major components.

1. **Creation of a minimum financial responsibility and licensing requirement for suppliers who fill liquefied petroleum gas containers for retail use.** The intent of this requirement is to assure that all suppliers not only have the financial means to compensate third parties for damages associated with accidents, but more importantly, it fully integrates the checks and balances system that insurers of suppliers have created with their risk management programs. In today's environment it is straightforward—suppliers who do not adhere to their insurer's risk management program won't be able to maintain their insurance. Wisconsin rules require suppliers to train their employees, install systems properly, maintain their gas systems, make sure systems are tested for leaks in certain situations, and supply their customers with general safety information. Insurance companies are the third parties that validate whether suppliers are meeting these requirements.

2. **Expansion of communications between suppliers and their customers.** The legislation requires greater communication between a customer and their supplier to better assure gas systems are checked for leaks after an interruption to the gas system occurs. The Wisconsin Department of Commerce requires systems to be checked for leaks after system interruptions. However, today many systems are not likely checked due to a lack of consumer awareness of safety concerns, ability, or communication with their supplier.
3. **Additional disclosure requirements for Diggers Hotline.** Finally, the legislation requires Diggers Hotline to make it clear to callers that private utilities, including most propane lines, are not located by Diggers Hotline. Nearly all propane lines serving residences are the property of the homeowner and are entirely located on their property. This additional disclosure is a reminder to the caller that the responsibility to locate private utilities is the responsibility of the digger, not members of Diggers Hotline.

Thank you for your attention to this request of support for Assembly 515. WFC understands that AB 515 may be amended to mirror the Senate version of SB 273 voted out of committee. WFC believes these changes would enhance this legislation and would support such an effort. I welcome any questions you may have.

PROPANE SAFETY ACT of 2007

January 3, 2007

Prepared by:

Wisconsin Propane Gas Association, Randy Knapp, 608-782-1843

Wisconsin Federation of Cooperatives, Tim Clay, 608-258-4384

BACKGROUND

The Industry According to the US Department of Energy¹, propane, by far the predominant liquefied petroleum gas², is used to heat 11% or about 246,900 of Wisconsin's homes. Additionally, propane is used in commercial, industrial and agricultural applications. Propane is typically delivered to stationary tanks for residential heating, commercial, industrial and agricultural uses, and is also supplied in portable cylinders for recreational and other purposes. Ease of portability by use of cylinders and its desirable properties lend to the reason why more than 90 percent of new cooking grills purchased use propane. In total, more than 330 million gallons³ of propane were sold in Wisconsin last year.

Wisconsin has approximately 220 propane retailers that supply propane for heating and other purposes and several suppliers that exclusively re-fill propane cylinders.

A Growing Concern Over the past several years, rising premiums and the reduction in number of insurers has dramatically increased the cost of general liability insurance. Premiums have generally increased significantly, and there are now only three or four carriers that actively write insurance for propane suppliers. These business pressures threaten to compromise consumer safety.

As insurance costs increase, so does the likelihood that some suppliers will choose to operate without insurance or insufficient coverage to reasonably compensate persons for damages resulting from their negligent acts. Arguably, the insurance industry has a greater influence than any other on propane safety, except for the actions of the policy holders—due to insurers' loss control programs to assure that laws and industry standards are followed. A supplier who is uninsured or underinsured and has little net worth raises legitimate concerns over their ability to provide a safe supply of liquefied petroleum gas.

While the vast majority of suppliers maintain financial responsibility at or above the level proposed under this legislation, there are reportedly a small number of suppliers who do not. It is these situations, that in all probability, will lead to poorly trained personnel, poor maintenance practices, shortcomings in communicating hazards to customers—elevating the risk of bodily harm or property damage.

¹ *Petroleum Profile: Wisconsin*, US Department of Energy, August 2005.

² Wisconsin Statutes section 101.16 defines "liquefied petroleum gas" as any material which is composed predominantly of any of the following hydrocarbons or mixtures of the same: propane, propylene, butanes, normal butane or isobutane and butylenes.

³ *Wisconsin Energy Statistics 2005*, Wisconsin Department of Administration.

PROPOSAL OVERVIEW

Summary The Propane Safety Act will strengthen consumer safety aspects by requiring suppliers that fill liquefied petroleum gas containers to meet a \$1 million minimum financial responsibility obligation (\$500 thousand for cylinder fillers) and by expanding safety-related communications between suppliers and customers. The financial responsibility requirement will also solidify the safety role the insurance industry plays through their rigorous risk management programs.

To assure all suppliers comply with the new financial responsibility requirement, suppliers will be licensed. To obtain a license, a supplier must provide the State with documentation to provide proof of meeting the financial responsibility requirement. All licensing and administrative costs will be paid by the liquefied petroleum gas industry through a licensing fee.

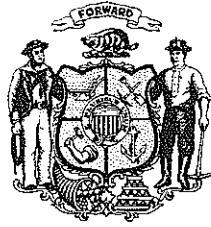
Propane customers will be required to provide notice of gas system modifications or any interruption in the operation of the propane gas system so that the supplier can test for leaks. The supplier must provide information to customers of this requirement at least annually.

The law would also create significant civil penalties for operating without a license and creates a private cause of action for suppliers as an alternative compliance mechanism.

Basis of Obligation Wis Stats. 101.16 (2) gives the Department of Commerce the authority to regulate the design, construction, location, installation, operation, repair, and maintenance of equipment for storage, handling, or use of liquefied petroleum gas. This bill clarifies operational elements related to system repairs and authorizes Commerce to license suppliers on the condition of meeting state financial responsibility requirements.

Propane is a safe product if it is stored and handled properly. However, earlier transportation accidents similar to the 1996 Weyauwega propane release prompted the federal government to establish interstate financial responsibility requirements for transporters of propane from \$1 to \$5 million. Similarly, the Wisconsin Department of Commerce requires financial responsibility minimums for underground tank systems that store petroleum fuels and is proposing to expand this requirement to certain aboveground petroleum storage systems. Commerce also requires dwelling contractors and manufactured home dealers to meet certain financial responsibility requirements. .

In recent years many states have passed or are working on similar laws that establish minimum financial responsibility requirements, safety training, licensing, and customer/supplier system safety notifications. States with similar laws include: Alabama, Arkansas, Colorado, Florida, Georgia, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Nevada, New Jersey, North Carolina, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, and Utah. Minnesota, Illinois, Iowa, and North Dakota are currently pursuing legislation.



1st Senate District
State Capitol • PO Box 7882
Madison, Wisconsin 53707-7882

Alan Lasee

State Senator

Telephone: 608 266 3512
Fax: 608 267 6792

Email: Sen.Lasee@legis.wisconsin.gov
Web: www.legis.wi.gov/senate/sen01/news/

Senator Alan Lasee Testimony for Assembly Bill 515

Good morning Chairman Montgomery and members of the committee. Thank you for scheduling Assembly Bill 515 for a public hearing today. I apologize that I am not able to be in Madison today to speak with you. I know that Representative Bies will be in attendance to speak to and answer any questions you might have.

As you probably are aware, ~~there was an explosion~~ in Ellison Bay in the summer of 2006. Tragically, two vacationers were killed and many others sustained injuries as a result of a believed propane gas leak. After the explosion, it became very clear that we could no longer allow individuals to dig without a proper check of possible propane lines.

The primary component of Assembly Bill 515, or the Propane Safety Act, focuses on new communication requirements between propane suppliers and customers as well as changes to the Statewide Communication System, or Digger's Hotline. Digger's Hotline will notify callers of the importance of having private gas lines marked on their property, and that the gas supplier is to be notified to have those private lines marked prior to excavating. The Hotline will also update its publications and description of what is a private utility to include a propane facility. Consumers will also be required to notify their gas supplier if they modify the gas lines on their property, thereby allowing the supplier to check for possible damage and leaks.

Assembly Bill 515 also focuses on the responsibility of propane suppliers specifically undertaking the financial responsibility to operate and maintain a safety-conscious business. By setting financial responsibility standards, propane suppliers will ensure that their employees are well-trained and that maintenance practices are of the highest standards. To ensure that the financial responsibility requirements are met, the Propane Safety Act will

require that propane suppliers be licensed by the Wisconsin Department of Commerce.

This proposal is aimed to increase safety for both consumers and suppliers of propane gas in Wisconsin. Cooperation from Digger's Hotline and representatives of the propane industry has been paramount to creating this package, and I appreciate the willingness of everyone involved to come together and work to prevent another tragedy.

The Senate companion bill, Senate Bill 273, and its amendments, unanimously passed the Senate Committee on Utilities on November 30th. The bill was referred to the Joint Committee on Finance.

Thank you again for your time and I urge you to support Assembly Bill 515.